

**CITY OF LARCHWOOD
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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City of Larchwood

Officials

(Before January 2014)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Snyders	Mayor	Jan 2014
Josh Feucht	Council Member	Jan 2014
Mike Metzger	Council Member	Jan 2014
Ted Underberg	Council Member	Jan 2016
Brian Meffert	Council Member	Jan 2016
Sharon Meffert	Council Member	Jan 2016
Sandi DeSmet	Clerk/Treasurer	Indefinite
Lachlan Murphy Bonander	Attorney	Indefinite

(After January 2014)

Dean Snyders	Mayor	Jan 2018
Ken Kerkvliet	Council Member	Jan 2018
Mike Metzger	Council Member	Jan 2018
Ted Underberg	Council Member	Jan 2016
Brian Meffert	Council Member	Jan 2016
Sharon Meffert	Council Member	Jan 2016
Sandi DeSmet	Clerk/Treasurer	Indefinite
Lachlan Murphy Bonander	Attorney	Indefinite

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Report on Agreed-Upon Procedures

To the Honorable
Mayor and Members
of City Council:

We have performed an agreed-upon procedures engagement of the City of Larchwood pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa Cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Larchwood for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
9. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF

obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.

10. We reviewed and tested selected receipts for accurate accounting and consistency with the COA.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Larchwood, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Larchwood, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Larchwood and other parties to whom the City of Larchwood may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Larchwood during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Grant and Williams Inc.
Certified Public Accountants
Sioux Falls, SD
January 16, 2015

Detailed Recommendations

City of Larchwood
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

- (A) Segregation of Duties ó One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash ó handling, reconciling and recording.
- (2) Receipts ó opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements ó purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll ó recordkeeping, preparation and distribution.
- (5) Utilities ó billing, collecting, depositing and posting.
- (6) Financial reporting ó preparing and reconciling.
- (7) Journal entries ó preparing and journalizing.

Recommendation ó We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Chart of Accounts ó The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation ó Since the Uniform Chart of Accounts does not use Fund 002 for the Library the City needs to determine what Fund number should be used.

- (C) Business Transactions ó Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection		Transaction Description	Amount
Dean Snyders, Mayor, owner of Snyders Home Improvement		Did foundation work on the Library and the flooring at the Gym	\$ 2,738.80
Mike Metzger, City Council Member, owner of Metzger Construction		Did repairs to the Gym Kitchen and Shelter House	\$ 4,518.40

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation ó The City should consult legal counsel to determine the disposition of this matter.

City of Larchwood
Detailed Recommendations
For the period July 1, 2013 through June 30, 2014

- (D) AFR Reporting of RUT Expenditures ó The total expenditures included in the trial balance of Fund 110 was split between the General Fund and the Special Revenue Fund columns on the Annual Report (AFR). This made the end of year fund balance incorrect in Part II of the AFR.

Recommendation ó The expenditures should be reported in the same column-fund as they are recorded in the accounting records.